

# **98% General Fund Expenditure Limitation House File 2039**

Last Action:  
**Senate Appropriations  
Committee**  
February 4, 2004

**Executive Summary Only**

**An Act relating to the State budget provisions involving the ending balance in the General Fund of the State and the State General Fund expenditure limitation by transferring funds from the Cash Reserve Fund and by revising the percentage amount used for the limitation, providing for a standing limited appropriation to the Senior Living Trust Fund, and including effective date and applicability provisions.**



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**LEGISLATIVE SERVICES AGENCY  
NOTES ON BILLS AND AMENDMENTS (NOBA)**

LSA Contact: David Reynolds (16934)

**EXECUTIVE SUMMARY  
NOTES ON BILLS AND AMENDMENTS**

**HOUSE FILE 2039  
98% GENERAL FUND EXPENDITURE LIMITATION**

**CASH RESERVE FUND TRANSFER  
FOR FY 2003**

- House File 2039 transfers \$45.8 million from the Cash Reserve Fund to General Fund. The Bill makes the transfer effective upon enactment and retroactive to June 30, 2003. The transfer is necessary in order to fund the FY 2003 General Fund deficit that resulted from lower than anticipated accrued revenues, under-estimated FY 2003 standing appropriations, and lower than projected reversions.

**EXPENDITURE LIMITATION  
REDUCTION**

- House File 2039 reduces the expenditure limitation rate from 99.0% to 98.0%. The expenditure limitation reduces the amount that the General Assembly and the Governor can appropriate from the General Fund for the succeeding fiscal year.
- Expenditure limitation is calculated by multiplying the expenditure limitation rate by the adjusted revenue estimate that is established by the Revenue Estimating Conference (REC). For example, the current adjusted revenue estimate for FY 2005 is \$4.550 billion. Under current law, the Governor and the General Assembly are allowed to appropriate \$4.505 billion (99.0%) for FY 2005, leaving \$45.5 million (1.0%) as an ending balance. However, during the Legislative Session, the expenditure limitation would change if the adjusted revenue estimate was to change by a new proposal or the revenue estimate was decreased.

**EFFECTIVE DATE OF EXPENDITURE  
LIMITATION**

- This expenditure limitation percentage change is effective on December 15, 2004. This would require the Governor and the General Assembly to use the 98.0% expenditure limitation for developing the State's FY 2006 budget.

**FISCAL IMPACT**

- By reducing the expenditure limitation percentage from 99.0% to 98.0% the maximum FY 2006 expenditure level would be approximately \$46.0 million lower than allowed under current law.

**GENERAL FUND SURPLUS  
APPROPRIATION TO THE SENIOR  
LIVING TRUST FUND**

- At the close of FY 2006, HF 2039 appropriates an amount equal to 1.0% of the adjusted revenue estimate from the General Fund surplus to the Senior Living Trust Fund before the funds would be transferred to the Cash Reserve Fund. If the surplus is less than 2.0% of the adjusted revenue estimate then the amount to be appropriated will be equal to one-half of the surplus. The appropriation to the Senior Living Trust Fund will continue each year until a total of \$118.0 million has been appropriated.

House File 2039 would distribute the General Fund surplus as follows:

- Senior Living Trust Fund – An amount equal to up to 1.0% of the adjusted revenue estimate if the surplus is 2.0% or more of the adjusted revenue estimate. If the surplus is less than 2.0%, the amount appropriated to the Trust Fund is 50.0% of the surplus amount.
- Cash Reserve Fund – Receives the excess surplus not appropriated to the Senior Living Trust Fund until the Cash Reserve Fund reaches a maximum balance of 7.5% of the adjusted revenue estimate.
- Generally Accepted Accounting Principals (GAAP) Fund – Receives any excess surplus after the Cash Reserve Fund balance is 7.5% of the adjusted revenue estimate. If there is no outstanding

GAAP debt, the surplus flows through to the Economic Emergency Fund on September 1.

- Economic Emergency Fund – Receives any excess surplus after the GAAP deficit is funded until the Economic Emergency Fund reaches a maximum balance of 2.5% of the adjusted revenue estimate.
- Endowment for Iowa’s Health Account – Receives any excess surplus from the Economic Emergency Fund until a total of \$141.8 million is transferred to the Endowment.